



NEW JERSEY STATE CHAMBER OF COMMERCE
Testimony Before the Senate Economic Growth Committee
And the
Senate Environment Committee
December 11, 2008

Concerning Formula Based Rates for Utilities
S-2428 (Lesniak)

Presented by: Jim Leonard, Senior Vice President Government Relations

Thank you Chairman Lesniak, Chairman Smith, and members of both the Senate Economic Growth Committee and the Senate Environment Committee. My name is Jim Leonard and I appreciate the opportunity to comment on Senate Bill 2428.

Both New Jersey and the entire nation are in an economic crisis not experienced by most of us here today. November saw a 26 year high in the number of individuals filing for unemployment nationally – more than 570,000 people. In New Jersey we have read reports of the Labor Commissioner having to add additional staff members to process the large number of unemployment claims. Clearly we are in a crisis, a crisis you and your colleagues have taken seriously enough to craft legislative initiatives designed to help address the problem. The expedited infrastructure projects initiated by Governor Corzine will also serve to help create jobs and lessen the impact of the recession. In fact, the Governor discussed the importance of infrastructure spending this morning before the Congressional Appropriations Committee.

And while government spending as a means of easing our fiscal troubles is important, we all know the size and scope of this problem is too large for a single solution. As stated by the Federal Reserve Bank, “Solutions for the nation’s major economic problems...rely heavily on hopes for a high and rising rate of business investment in new plant and equipment.”

Many have portrayed S-2428 as a bill that will dramatically increase the cost of energy, an item of concern to us and a charge we believe needs to be thoroughly investigated. But the State Chamber also sees this bill as one designed by the sponsor to bring predictability to the rate setting process, to stabilize rates, and to assist in accessing capital. From the State Chamber’s perspective, capital spending from the private sector is the best way to lessen the pain we currently are experiencing, and the best way to assure New Jersey is positioned to be a regional leader in job growth when our economy improves. The current credit crisis has served to stifle capital expenditures at a time when

that spending is needed most. The State Chamber views this hearing as an opportunity to continue the discussion regarding ways to help solve our economic problems, and we see S-2428 as a possible way to help infuse our economy with funding needed to create jobs.

We just completed our third survey of CEOs throughout the state that shows a significant decline in capital expenditures. 31% of these CEOs said last year they expect to see a decrease in capital spending. In October, 43% of the same CEOs said that they will drop capital spending. And I would imagine the number would be even higher if we asked that same question today.

Let me be clear Senator Lesniak. The State Chamber does not support legislation that increases energy costs for the employer community. We are here today to provide encouragement to you and your colleagues to explore any and all opportunities to ease the credit crisis and increase private sector capital spending. If your legislation allowing for utilities to elect a formula-based rating methodology does that without a significant increase in energy rates then we applaud your efforts. If there are different ways – through other legislative initiatives or through the regulatory process – that might provide a better way to break the capital spending logjam, we will appear before you again in support those initiatives. But the bottom line of this discussion today is, in fact, the bottom line. What can we, or what must we do to increase expenditures for capital projects that add jobs and improve our situation?

The State Chamber applauds you Chairman Lesniak for introducing this legislation that could make dramatic strides toward increasing the availability of capital and increasing the number of jobs created during this economic funk.

Thank you for your time, and I would be happy to take any questions from members of either Committee.